

NEIL ABERCROMBIE
Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

SCOTT E. ENRIGHT
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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Honolulu, Hawaii 96814-2512
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**TESTIMONY OF RUSSELL KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
Monday, February 4, 2013
Auditorium
9:30 A.M.

**HOUSE BILL NO. 96
RELATING TO FARMS**

Chairperson Wooley, Vice Chair Onishi and Members of the Committee:

Thank you for the opportunity to provide testimony on House Bill No. 96. The purpose of this measure is to encourage and support the growth of new, small, and diversified farming businesses by creating a tax exemption on the first \$50,000 of income for qualified family farms, family farm communities, and family farm cooperatives. This exemption is not to be repealed on January 1, 2018, pursuant to Section 5 of Act 220 SLH 2012. The Department supports the general intent of supporting the growth of new, small, and diversified family farms, however the conditions under which a family farm may qualify for the tax exemption raises concerns.

This measure does not apply to family farms who sell their crops to food brokers/wholesalers other than a "family farm cooperative", an organization that can only be found within a "family farm community" which is a large parcel of 500 to 5,000 acres and containing subdivided lots. Family farms who are unable to spend the time selling their products directly to consumers, perhaps from a roadside stand and farmer's markets, will be forced to sell their products through the "family farm cooperative" in order to qualify for the partial exemption from income tax.



Existing farmers who are not located within “family farm communities” cannot have their crops processed or marketed through the “family farm cooperative”.

New farmers may be able to meet the 75 percent of annual gross income from crops sold from the farm but the total income may be insufficient to pay for land rent and living expenses. According to the measure (page 7, lines 2 – 7) the “family farm” is not required to grow on their farm lot the food production they sell for consumption within the State.

In line with the intent of this bill, the Department would like to point out that House Bill 771, which has not yet been scheduled for hearing, would expand the ability for the Department to provide loans to new farmers and thereby provide opportunities for qualified farms.

We defer to the Department of Taxation on taxation matters contained in this bill that are under their jurisdiction. We also defer to the Department of Budget and Finance regarding fiscal impacts of any tax exemption.

Thank you for this opportunity to present our testimony.

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, January 31, 2013 9:01 AM
To: AGRtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HB96 on Feb 4, 2013 09:30AM*

HB96

Submitted on: 1/31/2013

Testimony for AGR on Feb 4, 2013 09:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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SUBJECT: INCOME, Exclusion of income received by family farm or cooperative

BILL NUMBER: SB 363; HB 96 (Identical)

INTRODUCED BY: SB by Ruderman, English, Espero, Gabbard, Keith-Agaran, 4 Democrats and 1 Republican; HB by Hanohano, Evans, Lowen, Nakashima & Tsuji

BRIEF SUMMARY: Adds a new paragraph to HRS section 235-7 to exclude the first \$50,000 of income received by a family farm, family farm community, or family farm cooperative from state income taxation.

Defines “family farm” as a farm owned or leased by an individual or family receiving more than 75% of its annual gross income from food production sold for consumption in the state. Also defines “family farm community” and “family farm cooperative” for purposes of the measure.

The amendments made to HRS section 235-7(a) of this measure shall not be repealed when that section is reenacted on January 1, 2018, pursuant to Act 220, SLH 2012 (which provided a temporary exemption of capital gains realized from the conversion of residential leasehold interest to fee simple ownership).

EFFECTIVE DATE: Tax years beginning after December 31, 2012

STAFF COMMENTS: This measure proposes to grant preferential treatment in the form of an income tax exclusion refundable to a select group of taxpayers. If the contention is that taxes imposed on these select taxpayers/businesses in Hawaii are too high, then the overall business tax climate needs to be addressed. Rather than granting a limited tax preference, as proposed, lawmakers need to take another look at the business and tax climate in Hawaii and find ways to improve that climate for all businesses.

To the extent that this select group of taxpayers would enjoy the preferential tax treatment, they would still need the services provided by state government. As a result, the burden of paying for those services will be shifted to another group of taxpayers who cannot avail themselves of this proposed exemption. Thus, existing businesses that are not so blessed with a similar exclusion must pick up the additional cost either in higher taxes or lower quality of service. Finally, it should be remembered that tax relief is provided to those who do not have the ability to carry their share of the tax burden. There is no indication that these particular taxpayers do not have the ability to pay their fair share of the state tax burden. The only criteria to access this tax benefit is that the farm be “family owned” and receive 75% of its income from food production sold for consumption in the state.

It is amusing to note that the benefit must accrue to a “family owned” farm, “family farm community” or “family farm cooperative” as it is doubtful there are truly that many “family” owned businesses today. Given the liability exposure, most businesses “incorporate” as a corporate entity to shield themselves from liability exposure. Further, how does one certify that the 75% of the annual gross income was from food produced on the farm and consumed in the state? Unless the farmer sells his or her produce to a

final consumer, there is no way the farmer can ascertain that the food the farm produced was consumed in the state. Once the produce is sold to a food wholesaler, the farmer will never know if the food was sold for consumption in the state or sold to an airline catering kitchen or even a cruise ship traversing the Pacific Ocean. This proposed exemption would be difficult to administer and audit to insure compliance with these requirements.

Digested 1/25/13



February 1, 2013

Senator Will Espero, Chair
Senator Rosalyn H. Baker, Vice Chair
Senate Committee on Public Safety, Intergovernmental and Military Affairs

Testimony in Support of SB 1256 Relating to the Pacific International Space Center for Exploration Systems (Appropriation).

Tuesday, February 5, 2013, 2:45 p.m., in Conference Room 224

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF appreciates the opportunity to express its **support of SB 1256**, which will provide the operational and equipment funding necessary for the Pacific International Space Center for Exploration Systems ("PISCES") to manage and facilitate its work in bringing aerospace technology and corporations to Hawaii, expand and diversify Hawaii-based industry, and provide the training relevant to preparing Hawaii's workforce for employment in technology-related fields.

SB 1256. The purpose of this bill is to appropriate fiscal year 2013-2014 funds to support the operations and the purchase of equipment required to sustain PISCES activities.

LURF's Position. The Legislature established PISCES through Act 169, Session of Laws of Hawaii 2012, to leverage Hawaii's substantial assets and capabilities in the space industry to advance our national space program and provide unique opportunities to expand and diversify technology-based enterprise and education in the State of Hawaii. LURF supports PISCES, which will develop a world-class center of excellence in Hawaii that can facilitate the design, testing, and validation of new technologies to support robotic and human missions to space, and in so doing serve as an economic driver for the island of Hawaii that will promote the establishment and growth of new sustainable and green industries along with associated jobs, workforce development, internships, and science, technology, engineering, and math education programs.

Thank you for the opportunity to present testimony in support of this measure.

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 01, 2013 9:27 PM
To: AGRtestimony
Cc: bdshafer@gmail.com
Subject: *Submitted testimony for HB96 on Feb 4, 2013 09:30AM*

HB96

Submitted on: 2/1/2013

Testimony for AGR on Feb 4, 2013 09:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Benjamin Shafer	Individual	Support	No

Comments:

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onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 03, 2013 9:47 AM
To: AGRtestimony
Cc: launahele@yahoo.com
Subject: Submitted testimony for HB96 on Feb 4, 2013 09:30AM

HB96

Submitted on: 2/3/2013

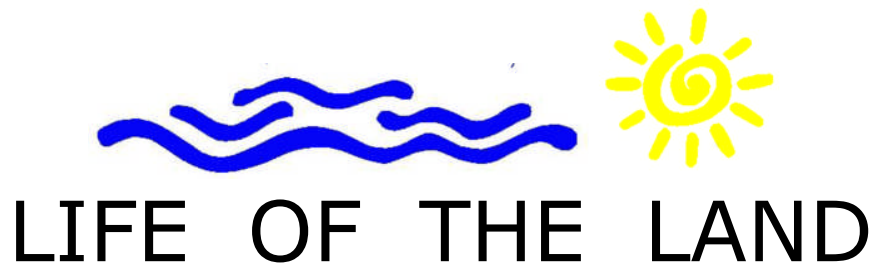
Testimony for AGR on Feb 4, 2013 09:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Benton Pang	Individual	Comments Only	No

Comments: This bill can potentially support our local small farmers. But I would only offer support if GMO farms were specifically exempted.

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COMMITTEE ON AGRICULTURE

Rep. Jessica Wooley, Chair

Rep. Richard H.K. Onishi, Vice Chair

DATE: Monday, February 04, 2013

TIME: 9:30 A.M.

PLACE: Auditorium

HB 96 FARMS

SUPPORT

Aloha Chair Wooley, Vice Chair Onishi and Members of the Committee

Life of the Land is Hawai`i's own community action group advocating for the people and the land since 1970. Our mission is to preserve and protect the life of the land by promoting sustainable land use, promote open government through research, education, advocacy, and when necessary, litigation.

At the start of WW2 one out of 3 (33%) of all workers worked directly for sugar companies. There has been a tectonic shift. Today in Hawai'i less than 1% of the population works in agriculture.

In terms of dollars, we import 90% of our food while we export 85% of what we grow here. It is said that we have a 30 days supply of oil for electricity and transportation and a 6 day supply of food, so if the boats don't come we can all drive around looking for food.

We talk about the amount of Important Agricultural Land (IAL) we need for local production, even though a significant amount, perhaps way more than half, is used for producing agricultural goods for export.

The State of Hawaii Data Book 2011¹ lists the major agricultural goods produced within the State.

Million Dollars (\$M)	Product
247	Seed crops
76	Flowers and nursery products
70	Sugar
33	Cattle (exported to be fattened up)
33	Coffee
30	Macadamia nuts
30	Aquaculture
25	Vegetables, ginger root, herbs, and melons
23	Fruits (Papayas 11 Bananas 11 Other 1)
23	Landscape plants
9	Milk
9	Eggs
4	Hogs
3	Taro
2	Honey

¹ <http://hawaii.gov/dbedt/info/economic/databook/db2011/section19.pdf>

What we need is local production of food crop for local consumption. This can be achieved by giving tax exemptions for family farms, family farm communities, and family farm cooperatives.

SB 363 would restrict these tax exemptions to those who produce at least 75 % of their production for local food consumption.

Please pass this bill

Mahalo

Henry Curtis
Executive Director

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 03, 2013 11:16 AM
To: AGRtestimony
Cc: mauimartha@hawaiiantel.net
Subject: Submitted testimony for HB96 on Feb 4, 2013 09:30AM

HB96

Submitted on: 2/3/2013

Testimony for AGR on Feb 4, 2013 09:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Martha Lind	Individual	Support	No

Comments: I urge you to support HB96, ONLY if AMENDED to exempt GMO farms. While I welcome the tax exemption for small family farms, such as the one my husband and I own in Maui, I am concerned that this bill would allow GMO production and producers to receive tax breaks if they formed into smaller entities in order to continue receiving the tax breaks. GMO crops should not be farming in Hawaii! I support the passage of HB96 ONLY if it is amended to exempt GMO farms.

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onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 03, 2013 2:30 AM
To: AGRtestimony
Cc: michaelbroady@gmail.com
Subject: Submitted testimony for HB96 on Feb 4, 2013 09:30AM

HB96

Submitted on: 2/3/2013

Testimony for AGR on Feb 4, 2013 09:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Broady Jr.	Individual	Support	No

Comments: Aloha, my name is Michael Broady Jr., I have lived on O'ahu for my entire life of 24 years. I am currently a student at Leeward Community College, and a small organic farmer practicing biodiverse permaculture on limited land. I support a tax exemption for family farms who produce food for local consumption. I would like to see Hawai'i grow more of it's own produce, and this exemption is a very sensible way to encourage such production. It pains me to hear people referred to as "consumers"; tuberculosis was once called "consumption". I think we can be producers once again.

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onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 03, 2013 9:36 AM
To: AGRtestimony
Cc: Paulcarter@tranceandhealing.com
Subject: Submitted testimony for HB96 on Feb 4, 2013 09:30AM

HB96

Submitted on: 2/3/2013

Testimony for AGR on Feb 4, 2013 09:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Paul Carter	Individual	Comments Only	No

Comments: Honorable Agriculture Committee Representatives, Hawaii is the endangered species capitol of the world and I cannot support tax exemption for patented, incredibly invasive genetically engineered crops. I propose an amendment to exempt genetically modified farms from this tax relief and would only support the passage of HB96 if it is amended to exempt GMO farms.

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onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 03, 2013 10:33 AM
To: AGRtestimony
Cc: philipoje@gmail.com
Subject: Submitted testimony for HB96 on Feb 4, 2013 09:30AM

HB96

Submitted on: 2/3/2013

Testimony for AGR on Feb 4, 2013 09:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Philip Oje	Individual	Support	No

Comments: I SUPPORT THIS BILL ONLY IF AMENDED TO EXEMPT GMO FARMS!!! Thank you.

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onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 01, 2013 7:32 PM
To: AGRtestimony
Cc: nimo1767@gmail.com
Subject: Submitted testimony for HB96 on Feb 4, 2013 11:30AM

HB96

Submitted on: 2/1/2013

Testimony for AGR on Feb 4, 2013 11:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Robert Petricci	Individual	Support	No

Comments: Feb 4, 2013 11:30 AM Re: HB96 Support Aloha Chairwoman Wooley, As a small farmer I can attest to how difficult it is to make a living farming. I am forced to work outside the farm to try and make it. as the farm does not yet support itself. I live in Pohoiki. Most of my neighbors are farmers as well. Competing against corporate farms is challenging for small farmers. Any help we can get will go a long way to helping Hawaii produce more of our food here and keep money in our economy that leaves Hawaii when we buy produce or products imported from outside of the state. Please help our small farmers, we need to be more self reliant and sustainable. Robert Petricci

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onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 03, 2013 9:29 AM
To: AGRtestimony
Cc: shannonkona@gmail.com
Subject: *Submitted testimony for HB96 on Feb 4, 2013 09:30AM*

HB96

Submitted on: 2/3/2013

Testimony for AGR on Feb 4, 2013 09:30AM in Conference Room Auditorium

Submitted By	Organization	Testifier Position	Present at Hearing
Shannon Rudolph	Individual	Support	No

Comments:

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